HOUSING MARKET OUTLOOK
Ottawa[1]

CANADA MORTGAGE AND HOUSING CORPORATION

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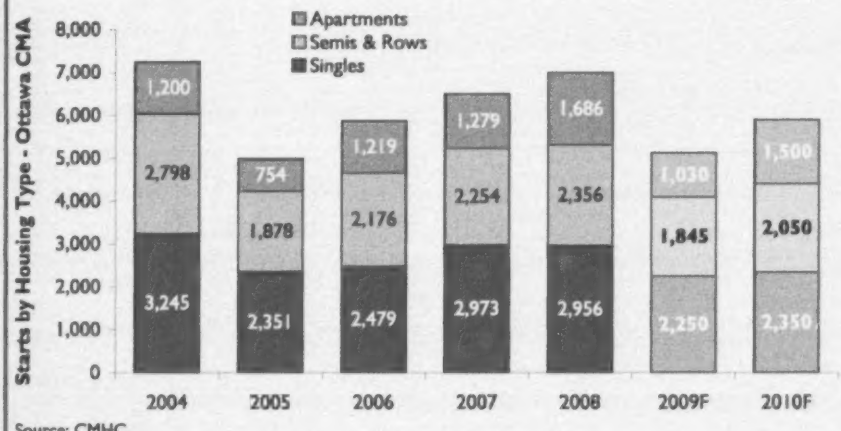
New Home Market

New Home Construction to Grow Below Demographic Needs

After near record years in new home construction, 2009 residential new home construction will grow below demographic needs in Ottawa Census Metropolitan Area. Total housing starts will close this year at 5,125 units or 27 per cent lower than in 2008 and well below the ten year average for the region. Tight credit conditions for high density development will delay construction in the Capital, particularly for condo apartments. However, increasing strength is expected next year as construction responds to growing demand for housing.

Figure 1

New Construction Below Demographic Demand



Source: CMHC

[1] The forecasts included in this document are based on information available as of October 1, 2009.

[1] Ontario part of Ottawa-Gatineau CMA

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In 2010 foundations will rise, growing slightly above population needs with 5,900 new units. Spill-over demand coming from the existing home market combined with low levels of construction this year and declining new home inventories will set the foundations for a strong rebound in New Home construction in the coming year.

Single-Detached Starts Will Increase at Sustainable Levels

Although total starts are expected to soften in 2009, single-detached homes will be declining the least. Single-detached starts will remain at close to 40 per cent of total construction or 2,250 units. The lowest interest rate seen in almost 60 years coupled with more affordable dwellings in Ottawa's outskirts will result in decreasing monthly mortgage payments.

Single-detached new construction will pick up slightly through 2010. The Monetary and Fiscal stimulus coming from Canada's Economic Action Plan will further boost the purchase of big ticketed items in the Capital City. Ottawa's home market continues to be strong, as single-detached starts remain a good barometer of the strength of the new residential construction market.

The average price for new single-detached homes in 2009 will post a similar level of growth to last year and will stand at around $418,400 for a 2.3 per cent increase. Although the underlying increase in price in 2010 will be flat, a greater proportion of more expensive homes will drive the average price higher by 5.7 per cent.

Semi-detached and townhomes will provide an alternative to the single-detached home dwellings when their price increases in 2010. As a result, expect semi-detached and townhomes sales to increase by 10 and 11 per cent next year respectively.

Condominium Apartment Construction Stronger in the Last Quarter of 2009

While there has not been an increase in unsold inventory, tight credit conditions and a slowdown of condo sales in the resale and new home market in the first months of the year has slowed down construction. Although the last quarter of 2009 will see a pick up in residential new apartment construction caused by pent-up demand coming from the existing home market, the year will close with only 1,030 units.

Looking forward into 2010, new residential condominium apartments will see a recovery in the rate of growth closing the year with 1,500 new units. An ageing population in the Capital City along with City of Ottawa's plans to promote more dense development within the urban limit line will contribute to increasing demand for condominium apartments.

Suburban Townhomes Will Remain Popular Among First-Time Buyers

Even if slowing economic activity took a toll on new home demand in the first months of 2009, 1,600 new row homes will be constructed, a level above the average for Ottawa for the last 20 years. Improved affordability due to low mortgage rates will continue prompting first time home buyers to jump into the new home ownership market.

The regions of Cumberland and Nepean will capture over 50 per cent share of all townhomes construction. Expect this trend to improve for next year with 1,780 new dwellings of this type in Canada's Capital City, particularly in the second half, where row and semi-detached dwellings will benefit from higher priced single-detached homes.

Resale Market

Strength of the Resale Market to Continue Throughout 2009

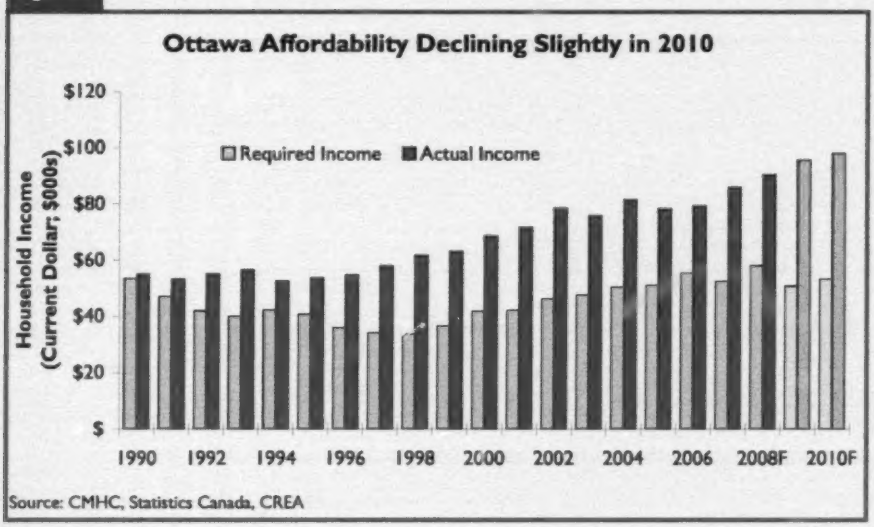
In 2009, the resale market of the Capital City will increase by 2.1 per cent when compared with the previous year, attesting once again to be resilient in periods of economic slowdown. Monetary and Fiscal economic stimulus and increasing household income will prove to be a good incentive towards homeownership.

Moving forward into 2010, conditions will begin to soften as pent up demand and a gradual erosion of affordability, as seen by a slight narrowing of the gap between required and actual income, dampen resale activity. This suggests 2010 will close the year with 13,700 transactions.

Resale Market Will Remain in Seller's Territory

As economic uncertainty will deter some homeowners from selling their properties, new listings in Ottawa will decrease in 2009 to 22,500 or seven per cent fewer homes available for sale. This decreasing supply coupled with increasing demand for existing homes has and will keep the

Figure 2



temperature of the market at the higher end of the seller's territory.

As a result, the sales-to-new listings ratio, that measures the excess of demand over supply, will close 2009 at 63 per cent, causing the average price for a resale home to increase above the inflation rate. Even though next year the Capital City will see a slight decrease in sales, the balance between demand and supply will stand at 60 per cent; therefore, remaining in the seller's territory.

Average Resale Price to Grow Above Inflation Levels

The average price for a resale home in the Ottawa CMA will keep growing but at a slower rate through 2010. Expect the average price to close at $300,000 in 2009 or a 3.3% increase when compared to 2008. The Capital City strongest average weekly earnings amongst Census Metropolitan Areas in Canada will continue supporting the housing market in the next couple of years. Although prices continue to edge higher, low mortgage rates have kept average mortgage carrying costs at the same level of early 2007.

Price appreciation will maintain its strength particularly in the East End and Nepean, where consumers should expect increases by over 2 per cent from the average price increase in the Queen City. Both areas enjoy an average price below that of the whole region and are located relatively close to Ottawa's core.

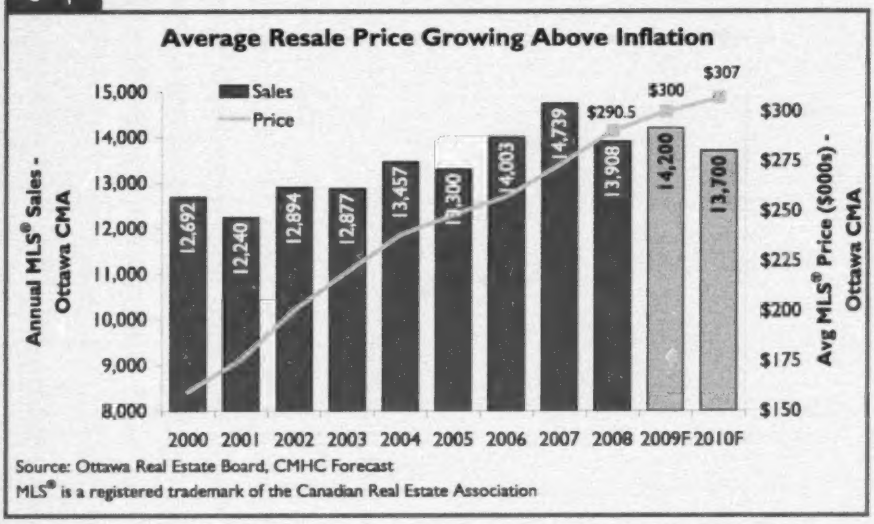
In contrast, the suburban areas of Orleans and Stittsville will close the year with negative to flat price increases. As well, the Downtown core will post negative price growth with an average price around $415,000. Although affordability is improving in the Capital City, the price level for a home in the Downtown area is 28 per cent above the average price for the whole CMA, deterring some homeowners from moving into this area.

Townhomes and Semi-Detached More Sought-After Dwellings

Looking at the price growth by dwelling type, expect townhomes and semi-detached to remain the most sought-after homes in 2009. Ottawa will see a significant increase in sales and prices for these dwelling types when compared to the previous year. Household substitution in favour of more affordable housing types will create incentives for first time home buyers to jump into the

Figure 3

Figure 4



homeownership market. This trend will intensify as prices move higher later in 2010.

Economic Overview

Ottawa's Record Labour Market Performance to Stabilize in 2009

The rate of employment growth in the Ottawa CMA will stabilize by the end of 2009. Following three years of significant growth, this year the labour market will confront decreasing growth. After employment levels bottomed in the second quarter, they began an upward trend. Nevertheless, the total number of persons employed in the Capital City will decrease by 1.1 per cent by the end of this year. Next year, the region will see a recovery to a level closer to the half million persons employed, for an increase of one per cent.

Healthy Labour Market Will Attract External Workers

The participation rate will close the year at 72 per cent. Although this level is lower than last year, it is significantly higher than that for Ontario. Next year Ottawa, one of the healthiest employment markets in the province, will attract external workers, improving net migration. At the same time this increased labour force will surpass employment growth, pushing unemployment rate a decimal point higher than this year, to 5.4 per cent.

According to the latest Business Outlook Survey published by the Bank of Canada, firms expecting higher sales growth outpaced those expecting low sales growth. The survey confirms the forecast that Ottawa will continue the path to recovery in the next year.

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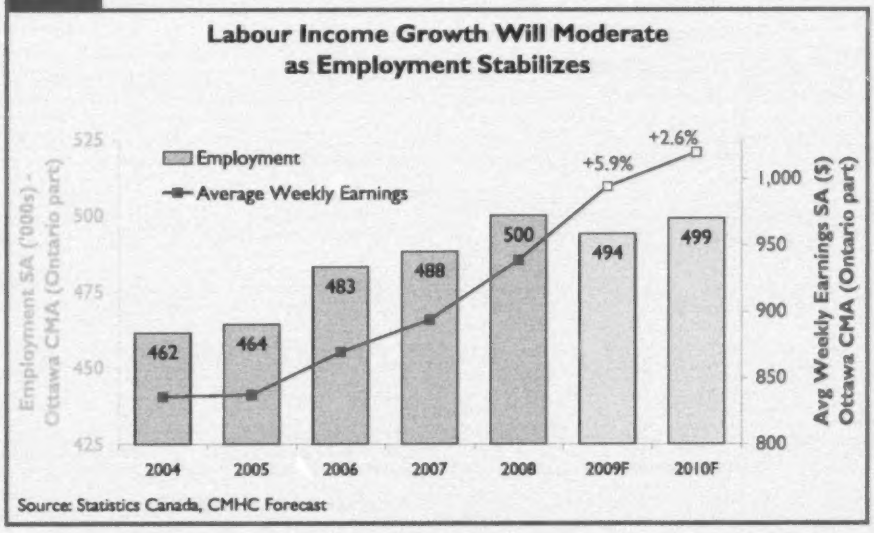

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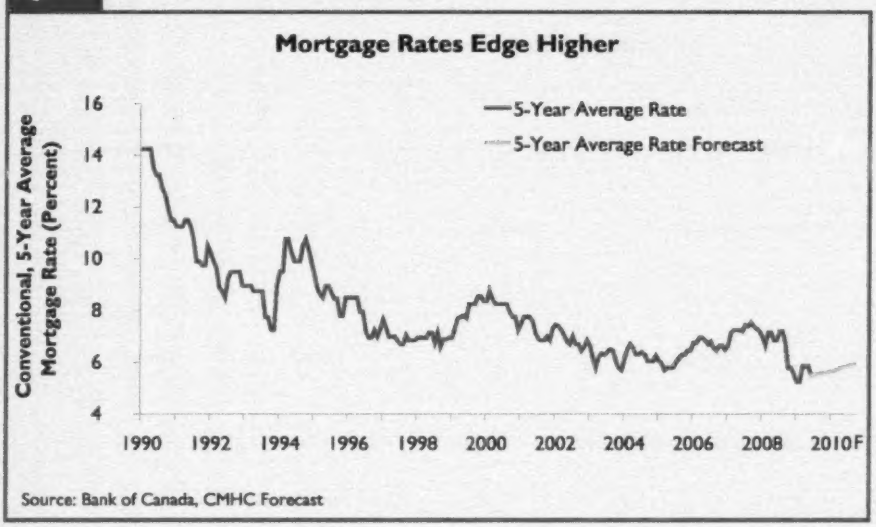

Mortgage Rate Outlook

The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. The Bank has committed to keeping this rate at 0.25 per cent through the middle of 2010 unless inflationary pressures warrant an increase.

Mortgage rates have fallen over the course of 2009, but are now expected to remain relatively stable for the rest of the year. Posted mortgage rates will gradually increase through 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate will be in the 3.50-4.25 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.50-6.00 per cent range.

Forecast Summary Ottawa CMA Fall 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	14,003	14,739	13,908	14,200	2.1	13,700	-3.5
MLS® New Listings	23,808	22,477	24,196	22,500	-7.0	22,900	1.8
MLS® Average Price ($)	257,481	273,058	290,483	300,000	3.3	307,000	2.3
New Home Market							
Starts:							
Single-Detached	2,480	2,973	2,956	2,250	-23.9	2,350	4.4
Multiples	3,395	3,533	4,042	2,875	-28.9	3,550	23.5
Semi-Detached	383	300	213	245	15.0	270	10.2
Row/Townhouse	1,793	1,954	2,153	1,600	-25.7	1,780	11.3
Apartments	1,219	1,279	1,676	1,030	-38.5	1,500	45.6
Starts - Total	5,875	6,506	6,998	5,125	-26.8	5,900	15.1
Average Price ($):							
Single-Detached	385,729	396,762	408,991	418,400	2.3	442,250	5.7
Semi-Detached	268,772	312,584	321,235	328,600	2.3	339,500	3.3
Median Price ($):							
Single-Detached	351,900	364,900	369,900	386,500	4.5	406,000	5.0
Semi-Detached	259,500	258,500	273,700	280,000	2.3	289,250	3.3
New Housing Price Index (% chg) (Ottawa-Gatineau)	3.1	1.8	1.8	1.2	-	1.5	-
Rental Market							
October Vacancy Rate (%)	2.3	2.3	1.4	1.1	-0.3	0.8	-0.3
Two-bedroom Average Rent (October) ($)	941	961	995	1,025	3.0	1,065	3.9
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.03	-2.67	3.83	-0.20
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.55	-1.51	5.75	0.20
Annual Employment Level	483,100	488,200	500,000	494,400	-1.1	499,400	1.0
Employment Growth (%)	4.0	1.1	2.4	-1.0	-	1.0	-
Unemployment rate (%)	5.1	5.1	4.9	5.3	-	5.4	-
Net Migration [1]	5,835	8,202	0	5,000	-	7,000	-

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2009 and 2010 migration numbers are forecasts

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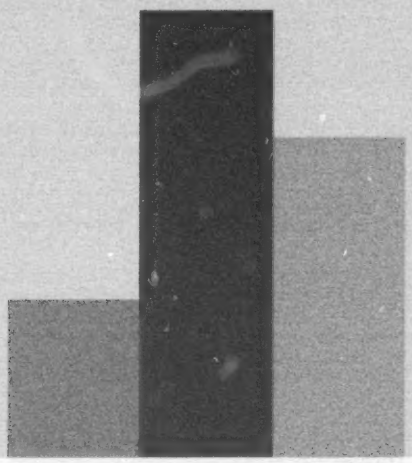

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